Financial Report

OF

GEO. A. HORMEL & COMPANY

AUSTIN, MINNESOTA

for the

Fiscal Year Ended October 25, 1952

OFFICERS

Jay C. Hormel	Chairman of the Board
H. H. Corey	President
R. F. Gray	Executive Vice President
R. H. Daigneau	Vice President
Park Dougherty	Vice President
R. D. Gower	Vice President and Controller
T. H. Hocker	Vice President
Clarence A. Nockleby	Vice President
J. L. Olson	Vice President
E. J. Garrity	Assistant Vice President
M. F. Dugan	Treasurer
Geo. W. Ryan	Secretary and Assistant Treasurer
P. C. Knopf	Assistant Treasurer
R. C. Dougherty	Assistant Secretary
R. H. Biedermann	Assistant Controller
E. H. Larson	Assistant Controller

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DIRECTORS

R. S. Banfield

S. D. Catherwood

H. H. Corey

R. H. Daigneau

Park Dougherty

M. F. Dugan

R. D. Gower

R. F. Gray

T. H. Hocker

Jay C. Hormel

Clarence A. Nockleby

J. L. Olson

Austin, Minnesota
November 28, 1952

To the Stockholders of
Geo. A. Hormel & Company

The financial report of your Company for the fiscal year ended October 25, 1952 is submitted herewith.

Net dollar sales for the year amounted to $306,162,883. This is an increase of eight-tenths of one per cent over the previous year and makes the second successive year the Company's net sales have exceeded three hundred million dollars.

The sales tonnage this year reached a new high. It amounted to 906,786,018 pounds, an increase over the year before of 7.1%. This marks the sixth successive year that tonnage sales have increased.

Despite the increase in the volume of sales, the earnings declined. After allowing for dividends on preferred stock, the net earnings applicable to the common stock were $2,055,080, or $4.02 per share, compared to $4.54 per common share the year before.

Lower earnings are accounted for by lower product prices and increased operating costs. Contributing to the latter were the restrictions imposed by the Office of Price Stabilization, high taxes, increased interest cost on money borrowed and higher wages. We, with other meat packers, granted a 6 cents an hour general wage increase in December of 1951, plus a 1½ cent increase in women's wages and other adjustments. Because of conditions, the food industry, as a whole, was not able to pass along the higher operating costs.

In the year, lard and other fats and fat cuts declined substantially in price. Traditionally, lard sold at 1½ times the cost of the live hog. But currently it has been selling at less than ½ the cost. The same applies to beef fat values. The prices of hides and sheep pelts, likewise, declined substantially in the year.

In our financial report, market declines were absorbed as we continued to price our inventory at the lower of cost or market.

The Company paid in Joint Earnings to all eligible employees the sum of $698,346 which amounted to 1.404 weeks' checks based on a 40-hour week. The year's contribution to the Hormel Employees' Profit-Sharing Trust was $1,144,620.

Our net profit amounted to 70 cents per hundred dollars of sales, or about 24 cents per hundredweight of product sold. Considering the investment required to operate our kind of business, the earnings per dollar of sales are inadequate and we are not satisfied with this condition. Normally, a business should be able to pay a reasonable dividend to its stockholders and, at the same time, reinvest in the business the money required for new buildings, equipment, increased working capital and general development.

In spite of lower earnings, we managed to increase slightly our net cur-

rent assets employed as working capital, partly from the money we earned above our dividends, and because we spent less for new buildings and improvements than our current depreciation. This is because we postponed as far as possible the investment in additional buildings and facilities. We have, however, maintained our plants and provided additional machinery and equipment where most needed. Following this curtailment policy, our expenditures for new and improved facilities throughout all of our plants amounted to only $1,201,599. The growth of our business requires more capital expenditures than this which means larger profits are necessary to carry on Company expansion.

For many years our Company has engaged vigorously in research. We have continually experimented in improving our products and developing new ones. Less spectacular are the experiments in processes. As a rule, our success here has not been publicized outside of our own Company. This year, in process improvement, our Practical Research Division has accomplished a significant development with the Hormel Hog Immobilizer. This is a new method of slaughtering hogs. The catching and hanging of hogs for slaughter has always been a job rough and tough on both man and beast. Our new method revolutionizes this operation. It will save our Company a substantial amount of money yearly—in better product, improved working conditions and lower labor costs. This process is fully patented and has profit possibilities in its sale to other companies. The October 1 issue of the SQUEAL, the Hormel news magazine, carried an article which more completely describes the new method. A copy will be sent on request.

The government price controls in their countless regulations are a handicap and an expense to us. Yet, with meat prices presently well below ceilings, they are no protection to the public. We believe they should be abolished.

Stockholders' investment, as shown in the balance sheet, amounted to $24,969,078. Except for the long-term notes which are payable serially the Company had no bank loans or other borrowed money at the end of the year. The net working capital amounted to $15,283,333. We have continued our overall plan of keeping our financial house in order. The large sums of money borrowed for operations during the year were retired by the year end, and we also paid off $1,300,000 of our long-term notes. The balance due on the long-term notes is $5,900,000 plus $1,300,000 which is due within the year and is carried as a current liability in the balance sheet.

The management is truly appreciative of the fine support we have had from all the men and women in the organization.

It is the hope of your management to continue to increase the sale of the Company's product and to improve the profits so that we can hold and expand our position in the industry. We do not expect an easy year ahead, but because of abundant feed crops in all of the corn belt states we can look forward confidently to a good supply of livestock. We feel optimistic toward the future of our business.

H. H. Corey
President

BALANC

Geo. A. Hormel & Compa

October

ASSETS

CURRENT ASSETS			$31,832,270
Cash		$ 4,612,716	
Accounts receivable, less allowance of $100,000		10,449,440	
Inventories of products, livestock, packages and materials—at lower of cost or market		16,526,302	
Unexpired insurance premiums and other prepaid expenses		243,812	
PROPERTY, PLANT AND EQUIPMENT			15,585,745
Land—at cost		$ 303,928	
Buildings and equipment		14,523,902	
Cost	$26,131,158		
Less allowances for depreciation and amortization	11,607,256		
Movable equipment—inventoried at cost, less amortization		757,915	
			$47,418,015

CE SHEET

ny — Austin, Minnesota

25, 1952

LIABILITIES

CURRENT LIABILITIES			$16,548,937
Accounts payable and accrued expenses, including pay rolls, profit-sharing trust contribution, etc.		$13,021,215	
Dividends payable November 15		341,369	
Federal taxes on income—estimated		1,886,353	
Portion of bank term loans due within one year		1,300,000	
LONG-TERM DEBT			5,900,000
Unsecured notes payable to banks		$ 7,200,000	
Due $900,000 annually on September 1 to 1956	$3,600,000		
Due $400,000 annually on September 29 to 1956, and $1,000,000 on September 29, 1957 and 1958	3,600,000		
Less amounts due within one year, shown above as current liability		1,300,000	
STOCKHOLDERS' INVESTMENT			24,969,078
Preferred stock, cumulative, par value $100 per share: Authorized 48,935 shares Issued and outstanding 14,454 shares—Series A, 6%, callable at $105 per share		$ 1,445,400	
Common stock, par value $15 per share: Authorized 600,000 shares Issued and outstanding 511,500 shares		7,672,500	
Earnings reinvested in the business, in addition to amounts transferred to common stock (of the reinvested earnings at October 25, 1952, $4,658,796 was free from the restriction on cash distributions on common stock under the long-term debt agreement)		15,851,178	
			$47,418,015

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal year ended October 25, 1952

SALES (less returns and allowances)		$317,354,647	
Less freight and express		11,191,764	
NET SALES			$306,162,883
COSTS, EXPENSES, AND TAXES (Itemized below)			304,021,079
MATERIAL COSTS AND EXPENSES		$260,146,918	
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately	$257,683,549		
Provision for depreciation and amortization	1,705,549		
Sundry charges (including interest expense of $748,405), less sundry income and credits	757,820		
TOTAL WAGE COSTS		40,383,162	
Wages and salaries, including joint earnings	$ 38,215,993		
Contribution to employees' profit-sharing trust	1,144,620		
Unemployment and federal old age benefit contributions	598,986		
Group life, hospitalization, and sick leave contributions	423,563		
TOTAL TAXES		3,490,999	
State income, property, and other taxes	$ 1,025,999		
Federal taxes on income (no provision for excess profits tax required)—estimated	2,465,000		
NET EARNINGS			$ 2,141,804

EARNINGS REINVESTED IN THE BUSINESS

Geo. A. Hormel & Company

Fiscal year ended October 25, 1952

Balance October 27, 1951		$15,074,827
Add net earnings for the year		2,141,804
		$17,216,631
Deduct cash dividends		1,365,453
On preferred stock—$6.00 per share	$ 86,724	
On common stock—$2.50 per share	1,278,729	
Balance October 25, 1952		$15,851,178

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the Balance Sheet of GEO. A. HORMEL & COMPANY as of October 25, 1952, and the related Statements of Earnings and Earnings Reinvested in the Business for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Earnings and Earnings Reinvested in the Business present fairly the financial position of GEO. A. HORMEL & COMPANY at October 25, 1952, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 20, 1952